



FOR IMMEDIATE RELEASE

March 23, 2008

FACT SHEET

SANDERS ANNOUNCES RELEASE OF CRITICAL FY06 AUDIT OPINION

RATING AGENCY CONSIDERATION NEXT STEP IN PROCESS TO RESTORE CITY'S WALL STREET CREDIT RATING

Mayor Jerry Sanders today announced that the City has received an unqualified FY06 audit opinion letter from the accounting firm of Macias Gini & O'Connell LLP. The Mayor will now concurrently submit the audited financial statements to the City Council and notify the three Wall Street credit rating agencies of the document's completion. As has been the City's custom, the FY06 audited financial statements will also appear on the City's website at www.SanDiego.gov. While only Standard & Poor's has suspended the City's rating, Mayor Sanders will ask all three agencies to reconsider the City's current rating.

Once the City's ratings have been reinstated, the City is hoping to return to the public bond markets to finance critical infrastructure projects at more attractive rates for taxpayers.

Prior to Mayor Sanders taking office, the City had not issued audited financial statements for three years running; this is the fourth set of audited financials the City has issued in one year under the Mayor's leadership. The release of the FY07 and FY08 audits are planned before the end of the 2008 calendar year. The release of this fourth audit today, along with the successful implementation of 76% of the Kroll recommendations on tighter financial controls and the agreement with the SEC is proof that the City is making great strides toward regaining the confidence of the financial markets and the public.

The Mayor also announced today that FY06 Yellow Book Report and Single Audit will be completed within the next few weeks. Copies of the FY06 audited financial statements will be sent to the entire City Council on Monday. The Mayor will specifically ask the Audit Committee to begin their review of the audited financial statements and as soon as possible, review and forward the entire package to the City Council.

MAYOR HAS RECORD OF IMPORTANT FINANCIAL ACCOMPLISHMENTS

This critical milestone is just the latest in a long series of financial accomplishments by Mayor Sanders, as follows:

- Streamlined City operations to save over \$50 million annually and eliminated 670 staff positions. The 670 positions eliminated represent 9% of all non-public safety employees.
- Established a Five Year Financial Outlook that funds long-term obligations including deferred maintenance. Over the next six years, the City will dedicate \$781 million to deferred maintenance and capital improvements, including street repairs.
- Proposed a new Retirement Plan for future non-public safety employees and have held the line on salary and benefit increases for employee groups.
- Instituted tough new financial controls. As of today, 76% of the internal financial control recommendations made in the Kroll Report have been implemented or are substantially complete.
- Established the City's first-ever set of performance measurements so that taxpayers can assess how their tax dollars are being spent.
- Appointed the City's first-ever CFO and appointed a new Internal Auditor. The Mayor will double the Auditor's staff resources in FY09.
- Overhauled the City's Real Estate Assets Department. The department's plan to sell off surplus city property was lauded by the County Grand Jury last year.
- Accomplished all of the above without raising taxes.

FY06 AUDIT OPINION IS FOURTH “CLEAN” AUDIT OPINION IN ONE YEAR

- **March 16, 2007:** City received an unqualified FY03 audit opinion letter from KPMG.
- **June 4, 2007:** City received an unqualified FY04 audit opinion from Macias Gini & O'Connell LLP
- **October 26, 2007/February 8, 2008:** City received unqualified FY05 audit opinions from Macias Gini & O'Connell LLP. The second opinion comes as a result of the resolution of the IRS Section 415 issue.
- **March 22, 2008:** City receives unqualified FY06 audit opinion from Macias Gini & O'Connell LLP

Prior to the end of the 2008 calendar year, the City is on track to receive unqualified opinions for FY07 and FY08.